

BUSINESS SITUATION

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REAL gross domestic product (GDP) increased 5.4 percent in the first quarter of 2000, according to the "advance" estimates of the national income and product accounts (NIPAs), after increasing 7.3 percent in the fourth quarter of 1999 (table 1 and chart 1).¹ This marked the third consecutive quarter that real GDP growth was substantially above the 3.6-percent average rate for the previous quarters in the current economic expansion (which began in the second quarter of 1991).

1. Quarterly estimates in the NIPAs are expressed at seasonally adjusted annual rates. Quarter-to-quarter dollar changes are the differences between the published estimates. Quarter-to-quarter percent changes are annualized and are calculated from unrounded data unless otherwise specified.

Real estimates are calculated using a chain-type Fisher formula with annual weights for all years except 1999 and quarterly weights for all quarters; real estimates are expressed both as index numbers (1996 = 100) and as chained (1996) dollars. Price indexes (1996 = 100) are also calculated using a chain-type Fisher formula.

The price index for gross domestic purchases increased 3.2 percent after increasing 2.3 percent. Real disposable personal income increased 3.2 percent after increasing 4.7 percent; the personal saving rate continued its downtrend, decreasing to 0.7 percent from 1.8 percent.

The largest contributors to the first-quarter increase in real GDP were personal consumption expenditures (PCE) and private nonresidential fixed investment (table 2). PCE increased 8.3 percent and contributed 5.5 percentage points to the growth in GDP. The increase in PCE was more than double its 3.7-percent average rate of growth over the expansion and was the ninth consecutive above-average quarterly increase; expenditures for

Table 1.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers

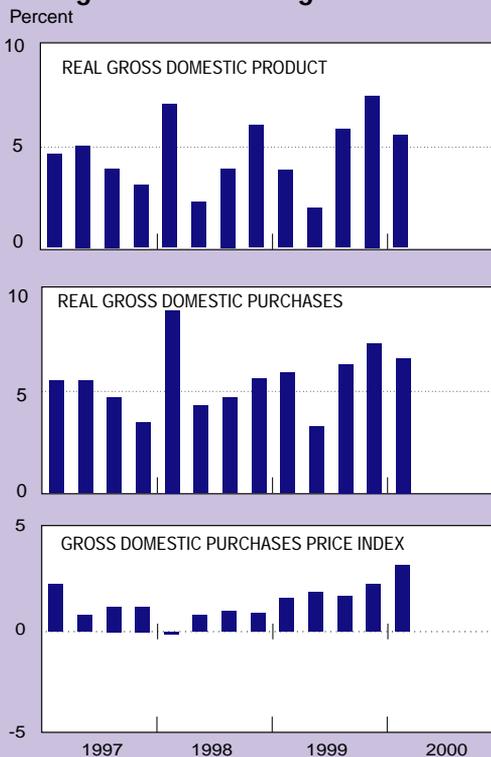
[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1999		2000	
						II	III	IV	I
		2000	1999						
	I	II	III	IV	I				
Gross domestic product	9,156.6	40.7	121.5	157.4	119.4	1.9	5.7	7.3	5.4
Less: Exports of goods and services	1,077.7	10.0	28.3	25.6	-5	4.0	11.5	10.1	-2
Plus: Imports of goods and services	1,454.8	44.5	47.6	29.3	32.5	14.4	14.9	8.7	9.5
Equals: Gross domestic purchases	9,508.0	70.7	138.3	160.8	149.4	3.2	6.2	7.2	6.5
Less: Change in private inventories	31.1	-36.1	24.0	28.7	-35.6				
Nonfarm	38.1	-30.0	28.1	31.1	-34.2				
Farm	-7.8	-6.5	-4.7	-2.9	-1.1				
Equals: Final sales to domestic purchasers	9,466.7	102.8	114.1	132.9	180.7	4.7	5.1	5.9	8.0
Personal consumption expenditures	6,225.2	73.2	71.2	87.2	122.3	5.1	4.9	5.9	8.3
Durable goods	898.1	17.3	15.1	25.5	51.4	9.1	7.7	13.0	26.6
Nondurable goods	1,842.4	14.2	15.6	32.7	30.4	3.3	3.6	7.6	6.9
Services	3,500.6	42.5	41.1	31.3	45.9	5.2	5.0	3.7	5.4
Gross private domestic fixed investment	1,683.7	25.1	26.3	10.5	65.9	6.6	6.8	2.6	17.3
Nonresidential fixed investment	1,304.6	20.2	31.4	8.9	61.4	7.0	10.9	2.9	21.2
Structures	253.6	-3.4	-2.4	-3	7.8	-5.3	-3.8	-5	13.4
Equipment and software	1,061.4	25.2	35.7	9.8	55.0	11.2	15.7	4.0	23.7
Residential investment	382.9	5.1	-3.7	1.7	6.1	5.5	-3.8	1.8	6.7
Government consumption expenditures and gross investment	1,565.2	4.9	17.0	34.3	-4.4	1.3	4.5	9.3	-1.1
Federal	535.2	2.9	5.4	18.8	-23.1	2.1	4.1	14.7	-15.5
National defense	339.2	-2.2	9.1	14.1	-23.2	-2.6	11.2	17.2	-23.2
Nondefense	195.8	5.0	-3.6	4.8	-1	10.9	-7.1	10.3	-2
State and local	1,029.4	2.2	11.5	15.6	18.3	.9	4.8	6.4	7.4
Addendum: Final sales of domestic product	9,115.2	72.5	97.5	129.6	150.6	3.4	4.5	6.0	6.9

NOTE.—Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1996) dollar levels and residuals, which measure the extent of nonadditivity in each table, are shown in NIPA tables 1.2, 1.4, and 1.6. Percent changes are calculated from unrounded data. Percent changes in major aggregates are shown in NIPA table S.1. (See "Selected NIPA Tables," which begin on page D-2 in this issue.)

CHART 1

**Selected Measures:
Change From Preceding Quarter**



Note.—Percent change at annual rate from preceding quarter; based on seasonally adjusted estimates.

durable goods, nondurable goods, and services all increased substantially. Nonresidential fixed investment increased 21.2 percent—also more than double its average growth rate of 8.4 percent over the expansion—and contributed 2.5 percentage points to GDP growth; purchases of equipment and software accounted for most of the first-quarter increase, though structures increased after four consecutive decreases. The increases in PCE and nonresidential fixed investment were partly offset by a decrease in inventory investment (change in private inventories) that subtracted 1.4 percentage points from GDP growth and by an increase in imports that subtracted 1.3 percentage points.

The slowdown in GDP growth from the fourth quarter to the first reflected downturns in inventory investment, defense spending, and exports.

Motor vehicles.—Real motor vehicle output decreased 1.6 percent in the first quarter after increasing 5.1 percent in the fourth (table 3). In contrast, final sales of motor vehicles to domestic purchasers increased 19.3 percent after decreasing 0.7 percent; truck sales turned up, and auto sales increased more than in the fourth quarter.

Purchases of motor vehicles by consumers increased substantially more than in the fourth quarter, and purchases by businesses (private fixed

First-Quarter 2000 Advance GDP Estimate: Source Data and Assumptions

The "advance" GDP estimate for the first quarter is based on preliminary and incomplete source data; as more and better data become available, the estimate will be revised. The advance estimate is based on the following major source data. (The number of months for which data were available is shown in parentheses.)

Personal consumption expenditures: Sales of retail stores (3) and unit auto and truck sales (3);

Nonresidential fixed investment: Unit auto and truck sales (3), construction put in place (2), manufacturers' shipments of machinery and equipment other than aircraft (3), shipments of civilian aircraft (2), and exports and imports of machinery and equipment (2);

Residential investment: Construction put in place (2) and single-family housing starts (3);

Change in private inventories: Manufacturing and trade inventories (2) and unit auto and truck inventories (3);

Net exports of goods and services: Exports and imports of goods and services (2);

Government consumption expenditures and gross investment: Federal outlays (3), State and local construction put in place (2), and State and local employment (3);

GDP prices: Consumer Price Index (3), Producer Price Index (3), U.S. Import and Export Price Indexes (3), and values and quantities of petroleum imports (2).

BEA made assumptions for source data that were not available. Table A shows the assumptions for key series; a more comprehensive listing of assumptions is available from STAT-USA/Internet, a service of the U.S. Department of Commerce, or from BEA's Web site <www.bea.doc.gov>.

Table A.—Summary of Major Data Assumptions for Advance Estimates, 2000:1

[Billions of dollars, seasonally adjusted at annual rates]

	1999			2000		
	October	November	December	January	February	March ¹
Fixed investment:						
Nonresidential structures:						
Buildings, utilities, and farm:						
Value of new nonresidential construction put in place	181.3	183.1	185.1	188.0	197.0	194.0
Equipment and software:						
Manufacturers' shipments of complete civilian aircraft	46.8	37.6	33.9	42.9	28.4	12.1
Residential structures:						
Value of new residential construction put in place:						
1-unit structures	213.5	216.8	223.1	227.8	230.7	232.1
2-or-more-unit structures	26.8	27.8	28.2	29.7	28.9	29.0
Change in private inventories, nonfarm:						
Change in inventories for manufacturing and trade (except nonmerchandise wholesalers) for industries other than motor vehicles and equipment in trade	56.5	98.3	54.9	46.9	82.2	54.6
Net exports: ²						
Exports of goods:						
U.S. exports of goods, balance-of-payments basis	706.0	710.2	743.3	728.6	722.5	721.2
Excluding nonmonetary gold	701.2	698.1	733.9	719.8	711.4	713.4
Imports of goods:						
U.S. imports of goods, balance-of-payments basis	1,088.5	1,104.6	1,121.2	1,138.4	1,153.9	1,165.7
Excluding nonmonetary gold	1,082.1	1,092.5	1,111.9	1,130.3	1,143.2	1,157.9
Net exports of goods (exports less imports)	-382.5	-394.4	-377.9	-409.9	-431.4	-444.5
Excluding nonmonetary gold	-381.0	-394.4	-378.0	-410.5	-431.8	-444.5
Government consumption expenditures and gross investment:						
State and local:						
Structures:						
Value of new construction put in place	144.1	153.5	159.9	166.0	164.9	162.7

1. Assumed.

2. Nonmonetary gold is included in balance-of-payments-basis exports and imports but is not used directly in the estimation of NIPA exports and imports.

investment) increased after decreasing. In contrast, purchases by government decreased after increasing.

Factors frequently considered in analyses of consumer spending were generally favorable in the first quarter, though growth in real disposable per-

sonal income slowed. The unemployment rate remained at its lowest level in 30 years, and the Index of Consumer Sentiment (prepared by the University of Michigan's Survey Research Center as a measure of consumer attitudes and expectations) increased from an already high level. Factors specific to motor vehicle purchases were mixed. For example, interest rates on new-car loans made by commercial banks increased, but manufacturers continued to offer attractive sales-incentive programs on selected models.

Imports of motor vehicles increased substantially more than in the fourth quarter, and exports increased less than in the fourth quarter.

Motor vehicle inventory investment decreased substantially, mainly reflecting a swing in truck inventories from accumulation to liquidation. The inventory-sales ratio for new domestic autos, which is calculated from units data, decreased from 2.3 at the end of the fourth quarter to 2.1 at the end of the first; the traditional industry target is 2.4.

Prices

The price index for gross domestic purchases, which measures the prices paid for goods and services purchased by U.S. residents, increased 3.2 percent in the first quarter after increasing 2.3 percent in the fourth (table 4). The step-up reflected a sharp acceleration in energy prices and a pay raise

Table 2.—Contributions to Percent Change in Real Gross Domestic Product

[Seasonally adjusted at annual rates]

	1999			2000
	II	III	IV	I
Percent change at annual rate:				
Gross domestic product	1.9	5.7	7.3	5.4
Percentage points at annual rates:				
Personal consumption expenditures	3.36	3.33	4.07	5.50
Durable goods .....	.71	.62	1.03	2.00
Nondurable goods .....	.64	.73	1.51	1.37
Services	2.00	1.98	1.53	2.14
Gross private domestic investment	-.36	2.26	1.72	1.38
Fixed investment	1.10	1.16	.48	2.77
Nonresidential .....	.86	1.33	.39	2.48
Structures	-.16	-.11	-.01	.37
Equipment and software	1.02	1.44	.40	2.10
Residential .....	.24	-.17	.09	-.29
Change in private inventories	-1.46	1.09	1.24	-1.39
Net exports of goods and services	-1.35	-.73	-.12	-1.31
Exports .....	.42	1.19	1.08	-.01
Goods .....	.32	1.19	.83	-.01
Services .....	.10	0	.24	.01
Imports	-1.77	-1.92	-1.20	-1.30
Goods	-1.59	-1.84	-1.12	-1.17
Services	-.19	-.08	-.08	-.13
Government consumption expenditures and gross investment .....	.23	.81	1.61	-.18
Federal .....	.13	.26	.87	-1.03
National defense	-.10	.42	.65	-1.03
Nondefense .....	.23	-.16	.22	0
State and local .....	.10	.55	.75	.85

NOTE.—More detailed contributions to percent change in real gross domestic product are shown in NIPA table 8.2. Contributions to percent change in major components of real gross domestic product are shown in tables 8.3 through 8.6.

Table 3.—Motor Vehicle Output, Sales, and Inventories

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1999			2000
		2000	1999			2000	II	III	IV	I
		I	II	III	IV	I			
Output	358.8	6.7	20.1	4.5	-1.5	8.4	26.2	5.1	-1.6
Autos	138.5	2.3	2.4	7.5	1.2	7.5	7.6	25.2	3.6
Trucks	219.9	4.4	17.6	-2.9	-2.6	9.0	38.3	-5.0	-4.7
Less: Exports	26.3	2.3	-1.9	1.3	.7	43.3	-25.5	23.4	10.9
Autos	16.8	2.1	-2.2	1.0	.6	67.0	-41.8	27.4	17.8
Trucks	9.5	.2	.3	.4	0	8.4	14.6	17.2	.3
Plus: Imports	123.2	.6	6.8	1.1	4.5	2.2	26.8	3.6	16.2
Autos	103.6	-2.3	8.1	.6	5.2	-9.7	41.2	2.6	23.0
Trucks	19.7	2.9	-1.3	.4	-6	80.7	-21.8	8.7	-12.1
Equals: Gross domestic purchases	456.3	5.0	28.9	4.2	2.5	4.9	30.4	3.8	2.2
Autos	226.0	-2.3	12.9	7.0	5.9	-4.5	28.5	13.9	11.1
Trucks	230.2	7.2	15.9	-2.8	-3.3	14.3	32.2	-4.7	-5.6
Less: Change in private inventories	1.1	-4.0	10.8	4.8	-17.0				
Autos	7.4	-9.6	11.1	4.4	-3				
Trucks	-5.4	4.7	.2	.5	-15.3				
Equals: Final sales to domestic purchasers	454.9	9.0	17.9	-.8	19.7	9.1	18.3	-.7	19.3
Autos	218.6	6.9	2.1	2.6	6.2	14.6	4.0	5.1	12.2
Trucks	236.2	2.1	15.8	-3.4	13.4	4.0	33.5	-5.9	26.3
Addenda:									
Personal consumption expenditures	272.5	6.1	1.5	3.7	16.0	10.3	2.4	6.0	27.4
Private fixed investment	168.5	3.8	14.0	-6.9	5.4	10.3	41.0	-15.4	14.2
Gross government investment	13.7	-.9	2.3	2.4	-1.8	-26.7	115.7	97.5	-39.0

NOTE.—See note to table 1 for an explanation of chained (1996) dollars. Truck output includes new trucks only; auto output includes new cars and used cars. Chained (1996) dollar levels for

motor vehicle output, auto and truck output, and residuals, which measure the extent of nonadditivity in each table, are in NIPA table 8.9B.

for Federal civilian and military personnel.² Prices of gross domestic purchases less food and energy increased 2.1 percent after increasing 1.9 percent (chart 2). If the effect of the Federal pay raise is also excluded, this measure increased 1.7 percent.

Prices of PCE increased 3.2 percent after increasing 2.5 percent. PCE energy prices increased 34.9 percent after increasing 12.0 percent.³ PCE food prices increased 2.4 percent, about the same as in the fourth quarter. Prices of PCE less food and energy increased 1.8 percent after increasing 2.0 percent.

Prices of private nonresidential fixed investment were unchanged in both the first and the fourth quarters.

Prices of government consumption expenditures and gross investment increased 5.8 percent after increasing 3.4 percent. Prices paid by the Federal Government increased 7.2 percent after increasing 2.7 percent, largely reflecting the pay raise. Prices paid by State and local governments increased 5.0 percent after increasing 3.8 percent.

The GDP price index, which measures the prices paid for goods and services produced in the United States, increased 2.7 percent after increas-

ing 2.0 percent. The GDP price index, unlike the price index for gross domestic purchases, includes the prices of exports and excludes the prices of imports. The smaller increase in the GDP price index than in the price index for gross domestic purchases reflected a smaller increase in export prices (1.8 percent) than in import prices (5.6 percent). The first-quarter increase in import prices was primarily due to a 92.5-percent increase (at an annual rate) in prices of petroleum products.

Personal income

Real disposable personal income (DPI) increased 3.2 percent in the first quarter after increasing 4.7 percent in the fourth (chart 3). Current-dollar DPI increased 6.5 percent after increasing 7.3 percent. The personal saving rate (saving as a percentage of current-dollar DPI) decreased to 0.7 percent from 1.8 percent, reflecting a larger increase in personal outlays than in DPI.

Personal income increased \$123.0 billion after increasing \$141.5 billion (table 5). The slowdown mainly reflected a sharp downturn in farm proprietors' income and a deceleration in rental income of persons. In contrast, wages and salaries, transfer payments, and other labor income accelerated in the first quarter.

Farm proprietors' income decreased \$13.8 billion after increasing \$16.6 billion. The downturn reflected the pattern of subsidy payments, which decreased \$13.0 billion after increasing \$16.6 billion.

Rental income of persons edged up \$0.2 billion after increasing \$8.3 billion. The slowdown

2. In the NIPAs, an increase in the rate of Federal employee compensation is treated as an increase in the price of employee services purchased by the Federal Government.

3. "Energy goods and services" consists of gasoline, fuel oil, and other energy goods and of electricity and gas.

Table 4.—Price Indexes

[Percent change at annual rates; based on seasonally adjusted index numbers (1996=100)]

	1999			2000
	II	III	IV	I
Gross domestic product	1.3	1.1	2.0	2.7
Less: Exports of goods and services .....	.7	1.3	2.6	1.8
Plus: Imports of goods and services	5.2	6.2	4.9	5.6
Equals: Gross domestic purchases	1.9	1.7	2.3	3.2
Less: Change in private inventories .....	.....	.....	.....	.....
Equals: Final sales to domestic purchasers	2.0	1.8	2.3	3.2
Personal consumption expenditures	2.2	1.8	2.5	3.2
Food	1.2	2.1	2.3	2.4
Energy goods and services ¹	26.9	14.2	12.0	34.9
Other personal consumption expenditures	1.3	1.2	2.0	1.8
Private nonresidential fixed investment	-1.4	-1.3	0	0
Structures	2.2	3.4	3.5	3.7
Equipment and software	-2.5	-2.7	-1.1	-1.1
Private residential investment	3.6	4.1	2.2	3.1
Government consumption expenditures and gross investment	2.9	3.3	3.4	5.8
Federal .....	.9	1.8	2.7	7.2
National defense	1.0	1.8	2.5	6.3
Nondefense .....	.7	1.8	3.1	8.9
State and local	4.0	4.2	3.8	5.0
Addendum: Gross domestic purchases less food and energy	1.2	1.2	1.9	2.1

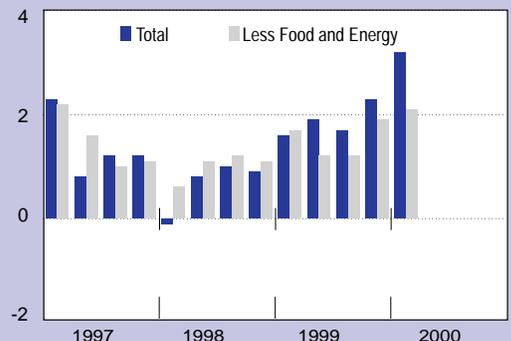
1. Consists of gasoline, fuel oil, and other energy goods and of electricity and gas.

NOTE.—Percent changes in major aggregates are in NIPA table 8.1. Index number levels are in tables 7.1, 7.2, and 7.4.

CHART 2

Gross Domestic Purchases Prices: Change From Preceding Quarter

Percent



Note.—Percent change at annual rate from preceding quarter; based on seasonally adjusted index numbers (1996=100).

U.S. Department of Commerce, Bureau of Economic Analysis

reflected the pattern of Federal farm subsidy payments to nonoperator farm landlords; in addition, it reflected a return to more normal levels after a fourth-quarter rebound from uninsured losses associated with Hurricane Floyd in the third quarter.

Wage and salary disbursements increased \$85.3 billion after increasing \$66.2 billion. Disbursements accelerated in all major industries except services; the largest acceleration was in government wages and salaries, reflecting a 4.8-percent pay raise for Federal civilian and military personnel that boosted disbursements \$6.9 billion.

Transfer payments to persons increased \$16.7 billion after increasing \$8.9 billion. The step-up was more than accounted for by a \$10.4 billion step-up in cost-of-living adjustments to benefits under social security and other Federal retirement and income support programs.

Personal contributions for social insurance increased \$7.3 billion after increasing \$3.7 billion. The acceleration primarily reflected an increase in the taxable wage base.

Personal tax and nontax payments increased \$15.3 billion after increasing \$23.4 billion. The slowdown was primarily in State and local taxes and reflected State tax law changes and refunds in the first quarter.

Table 5.—Personal Income and Its Disposition

[Billions of dollars; seasonally adjusted at annual rates]

	Level	Change from preceding quarter				
		1999				2000
	2000	I	II	III	IV	I
Wage and salary disbursements	4,660.9	61.1	76.8	66.2	85.3	85.3
Private industries	3,906.6	55.6	67.8	58.0	69.5	69.5
Goods-producing industries	1,120.8	12.2	15.1	11.2	19.4	19.4
Manufacturing	799.0	7.8	11.6	4.3	8.3	8.3
Distributive industries	1,043.1	11.3	15.8	12.4	17.3	17.3
Service industries	1,742.7	31.9	37.0	34.4	32.8	32.8
Government	754.4	5.5	9.0	8.2	15.9	15.9
Other labor income	550.5	5.0	5.5	5.2	6.8	6.8
Proprietors' income with IVA and CCAAdj	685.6	15.4	-1.3	31.0	.6	.6
Farm	23.8	1.6	-13.1	16.6	-13.8	-13.8
Nonfarm	661.8	13.7	11.8	14.4	14.4	14.4
Rental income of persons with CCAAdj	147.5	.2	-9.8	8.3	.2	.2
Personal dividend income	379.6	5.1	5.8	6.1	6.5	6.5
Personal interest income	972.5	13.1	18.3	19.7	14.0	14.0
Transfer payments to persons	1,046.9	5.8	7.7	8.9	16.7	16.7
Less: Personal contributions for social insurance	347.7	3.4	4.4	3.7	7.3	7.3
Personal income	8,095.9	102.4	98.8	141.5	123.0	123.0
Less: Personal tax and nontax payments	1,199.1	14.6	21.0	23.4	15.3	15.3
Equals: Disposable personal income	6,896.8	87.8	77.8	118.1	107.7	107.7
Less: Personal outlays	6,851.9	114.9	106.3	134.8	185.6	185.6
Equals: Personal saving	45.0	-27.1	-28.5	-16.7	-77.8	-77.8
Addenda: Special factors in personal income:						
In wages and salaries:						
Manufacturing bonus payments	0	0	0	2.5	-2.5	-2.5
Boeing strike	-4	0	0	0	-4	-4
Due to Hurricane Floyd	0	0	0.3	-3	0	0
Federal pay raise	6.9	0	0	0	6.9	6.9
Federal civilian retirement buyout payments .....	.1	0	0	-1	.1	.1
In farm proprietors' income:						
Federal subsidies	3.8	4.9	-7.9	16.6	-13.0	-13.0
Due to Hurricane Floyd	0	0	-6	.6	0	0
In nonfarm proprietors' income:						
Due to Hurricane Floyd	0	0	-4	.4	0	0
In rental income of persons with CCAAdj:						
Federal subsidies .....	.8	1.4	-1.8	3.7	-2.9	-2.9
Due to Hurricane Floyd	0	0	-4.7	4.5	.2	.2
In transfer payments to persons:						
Social security retroactive payments	0	0	0	1.2	-1.2	-1.2
Cost-of-living adjustments in Federal transfer programs	11.2	-2.1	-4.2	.4	10.8	10.8
Earned Income Tax Credit and Child Tax Credit payments .....	.1	-1.1	-2.3	0	.1	.1
In personal contributions for social insurance:						
Tax rate, base, and law change	2.5	-1.0	-2.0	0	2.5	2.5
In personal tax and nontax payments:						
Federal tax law changes	-5.4	1.9	3.8	0	-5.4	-5.4
State tax law changes	-5.4	-4.1	.1	3.9	-3.3	-3.3

NOTE.—Most dollar levels are in NIPA table 2.1.
IVA Inventory valuation adjustment
CCAAdj Capital consumption adjustment

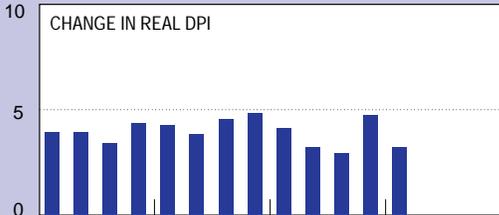
CHART 3

Selected Personal Income and Saving Measures

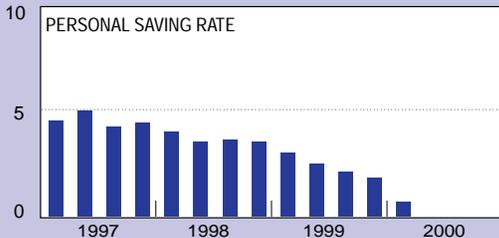
Billions \$



Percent



Percent



Note—Changes are from preceding quarter; based on seasonally adjusted annual rates.